



# CALPEEK

## CALIFORNIA POLITICAL WEEK

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### **SCHWARZENEGGER'S DILEMMA: THE VLF BACKFILL BLUES, OTHER FISCAL PROBLEMS AWAIT ARNOLD.**

Editor's note: As Gov.-elect Arnold Schwarzenegger(R) prepares to take office in mid-November, he'll be facing a fiscal crisis almost as bad as the one Gray Davis(D) faced. Total impact: perhaps **\$20 billion**. And not only does he have to tackle the VLF (car tax), but also pension bonds, deficit reduction bonds and \$8 billion in carryover debt. Here's our analysis & commentary...

...In June 2003, Gov. Gray Davis' fate was probably sealed when in response to the State's fiscal nightmare he administratively pulled the trigger and restored the vehicle license fee (VLF) to pre-1998 levels. That move tripled the car tax. Gov.-elect Arnold Schwarzenegger(R) has vowed on his first day in office to issue an executive order rescinding Davis' action. Sources say the new governor has the authority to do that, but the impact could be *devastating* – especially to Calif. cities & counties...

...Right now the State reimburses local government for the VLF to the tune of about **\$4 billion**. But here's the catch: buried on page 610 of the Budget Act (AB 1765) is a provision to shut down the local backfill for the 2003-04 fiscal year **IF** the action of the Dept. of Finance is reversed. How did this *poison pill* find its way into the Budget Act? Was there a some kind of deal between Demo and GOP Legislative leaders???

...The minute he signs the rescission Schwarzenegger is mandating huge cuts in local public safety services. One source told *Calpeek* that as many as 12,000 cops would be laid off – and that's a conservative figure. No data for firefighters or para-medics, but they'd take a huge hit too. About **70%** of the VLF funds returned to locals goes for *public safety funding*. Some sources think the League of Calif. Cities and the Calif. State Assn. of Counties will go to court to block any rescission by Schwarzenegger. His only solution to this nightmare: find \$4 billion more in *budget cuts*(difficult) or *raise taxes*(not popular with GOP lawmakers). A tax hike would likely be \$7-8 billion because of Prop. 98...

...The VLF is by no means Gov. Arnold's only fiscal problem. The State plans to sell \$1.9 billion in pension bonds and another \$10.7 billion in deficit bonds. Both of these bonds now face legal challenges from the Howard Jarvis Taxpayers Assn. Schwarzenegger has signaled he wants to go to voters for their OK on the bonds. This would involve is a constitutional amendment to permit deficit bonds and a separate measure for the bonds themselves. No telling how Wall Street would react, but they're probably not wild about this. Would voters OK these items? There could be *opposition* from fiscal conservatives and groups who support bonds for what they were really intended for: infrastructure projects. Stay tuned...

### **RECALL MADNESS: ADDITIONAL OCT. 7<sup>TH</sup> ANALYSIS.**

Editor's note: It's now little more than a week after the Oct. 7<sup>th</sup> recall of Gov. Gray Davis(D) and *Calpeek* insiders are still mulling over this historic election. Here's our update, analysis & commentary...

◆ *Update on Voter Turnout* – As of *Calpeek's* deadline, voter turnout on Oct. 7<sup>th</sup> was **56.7%**, with some **673,000** absentee & provisional ballots yet to be counted. That could push turnout to more than **58%**. L.A. Co. still has 230,000 uncounted absentee ballots(as *Calpeek* hit deadline)...

◆ *Recall Election Part I* – No significant change in the basic percentages. It's still **55.3% YES** vs. **44.7% NO**...

...Sources in the Davis campaign said at no time was **NO** on Recall ever ahead, but there was a time when the margin was close. And then, according to *Calpeek* sources, the ACLU's challenge to stop the Oct. 7<sup>th</sup> recall got an OK from a 3-judge panel of the 9<sup>th</sup> U.S. Court of Appeals. That took place just prior to the big debate. Sources say the court action took the **NO** on Recall *off message* and it hurt the anti-recall effort because voters felt Davis and the Demos were behind the ACLU's move to stop the election...

...*Calpeek* asked various Demo sources if the *NO Demo replacement strategy* might have proved more successful. In other words, had LG Cruz Bustamante not run, would

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that have saved Davis? Many agreed that the margins may have been closer, but in the end Davis would have still been recalled. One thing just about all sources agreed on: the **NO on Recall/YES on Bustamante** strategy was a total flop...

◆ **Recall Election Part II** – Again, no significant change in the percentages. Arnold Schwarzenegger still leads the field with 48.6%, followed by Demo Lt. Gov. Cruz Bustamante at 31.7% and State Sen. Tom McClintock(R) at 13.4%. As noted previously, McC was not a spoiler...

◆ **Exit Polling** - The L.A. Times exit polling shows that indeed 25% of the Demo base voted YES on recall and that was the key to Davis' being removed from office...

...**Latino voting.** The LAT exit poll showed Latino voters voted 45% YES on recall vs. 55% NO on recall. And while LG Bustamante got 55% of their vote, Schwarzenegger was able to pull 31%. **Union voting:** according to the LAT exit poll, 56% voted NO on recall vs. 44% who supported the ouster of Davis...

◆ **GOP Moderates** – Republican moderates are in heaven. Leaders of the Republican Main Street Partnership claimed an “absolute victory for Calif. and Republican moderates.” And then there was the Republican Pro-Choice Coalition who formed a special Women for Arnold committee in Calif. and mailed 350,000 brochures to GOP & indy likely pro-choice women voters. Both groups are doing high-5s...

◆ **News Media Endorsements** – There was a massive amount of news coverage – all inked directly to Arnold Schwarzenegger's candidacy & celebrity. On the question of recall vs. NO recall, major daily newspapers were split: 9 YES vs. 13 NO. Among the 9 YES: San Diego Union-Tribune; Orange Co. Register, L.A. Daily News, Riverside Press-Enterprises. Among the 13 NO: L.A. Times, Sacto BEE (all McClatchy newspapers); S.F. Chon, San Jose Mercury News. FYI: Rumor has it that the 3 big tv news networks will reestablish offices in Sacto...

◆ **Gropegate/L.A. Times Brouhaha** – Many sources think what the L.A. Times started on Oct. 2<sup>nd</sup> about the governor-elect acting boorishly, groping women and misbehaving isn't at an end. Will there be more stories? Most sources think so. But the one story which has really taken off is the way the L.A. Times handled this investigation. GOP insiders are fuming and make no bones about their displeasure with what they viewed as biased reporting. LAT executive editor John Carroll defended his paper's actions (op-ed on 10/12), especially the timing of the grab

and grope article which ran Oct. 2<sup>nd</sup>, saying it took a long time to check and re-check the allegations. But syndicated columnist Jill Stewart says her sources at the LAT said the first story was ready for print 2 weeks before it actually made ink on Oct. 2<sup>nd</sup>. And she notes correctly that subsequent allegations were rushed into print hours after being made public. And columnist Bill Bradley, in a story for the L.A. Weekly, claimed someone at the LAT leaked details of the groping story to Demo Party operatives. FYI: Calpeek heard the rough details about this LAT story about a week before it was printed, so this story wasn't a closely guarded secret. Still, Bradley's allegations raise some sticky questions for LAT editor John Carroll. Stay tuned...

### **CAMPAIGN 2003: RECALL WINNERS AND LOSERS.**

Editor's note: Here is one of your favorite columns: Calpeek's Winners & Losers. There is absolutely nothing objective about this column – so sit back, enjoy or weep...

☺ **The Nearly Perfect Campaign Award** – No contest here as GOP consultants Bob White, Don Sipple and Mike Murphy put together an almost perfect campaign for new Gov.-elect Arnold Schwarzenegger...

☹ **The Longest Night Award** – To Gov. Gray Davis(D). During the 70-day campaign, Davis was never ahead in his efforts to defeat the recall...

☺ **The Recall Sugar Daddy** – U.S. Rep. Darrell Issa (R-Vista) and his Rescue Calif. recall committee provided the big \$\$\$ to get the recall qualified. Issa thought he should have been governor, but that wasn't to be...

☺ **The How Sweet It Is Award** – To former CRP chair Shawn Steel, who suffered through 2002 when all of the Statewide GOP candidates were defeated and he was on the outs with many inside the CRP. Now he's vindicated...

☺ **Best TV Spot** – The “Man on the Street” ad bashing Davis on the car tax, the budget, and drivers licenses for illegal immigrants, summed up voter displeasure with Davis in :30-seconds that was both powerful and hard to dispute...

☺ **Most Effective TV Spot** – To the NO on 54 campaign. The :30-sec. spot featuring former Surgeon Gen. C. Everett Kopp was dynamite and did much to finish off Ward Connerly's Racial Privacy Initiative...

☺ **The Rodney Dangerfield Award** – To the NO on 54 Campaign – Coalition for an Informed Calif., including The Strategy Group, Burson-Marsteller and media guru David Axelrod...

☹ ***Wasn't Ready for Prime Time*** – A close battle between Demo Lt. Gov. Cruz Bustamante and Prop. 54 sponsor Ward Connerly – but Connerly is the winner, or loser...

☹ ***Running on Empty*** – By the summer of 2002, Bill Simon Jr. was nearly out of gas in his uphill battle to defeat Gov. Davis. Someone should have told him voters don't like losers and are not all that forgiving. His short campaign for governor in the recall was over before it began...

☹ ***Little Ms. Flip Flop*** – Arianna Huffington went from Davis bashing to Arnold bashing overnight...

☹ ***Past His Prime*** – Businessman Peter Ueberroth was supposed to be the "adult candidate" in the recall election, but he was short on substance which connected with voters...

☹ ***The Big Mistake*** – Lt. Gov. Cruz Bustamante gets this award for taking \$3-4 million in direct contributions from Indian gaming interests. Had these contributions been in the form of IEs he'd have been OK. The legal mess surrounding the contributions flushed his campaign down the commode...

☹ ***Just Another Special Interest*** – All that work over the years to keep their image bright and spotless came to an end as Indian gaming casinos took some solid hits. Is the damage long lasting? Probably not...

☺ ***Most Innovative Journalism*** – To Dan Weintraub and the Sacto BEE. Weintraub's instant analysis of news events over the web (known as BLOG – weblog) was certainly a hit with political insiders. Stay tuned...

#### **CAMPAIGN 2004: CALIFORNIA INITIATIVE UPDATE.**

Editor's note: Three(3) more initiatives have been given the green light to begin collecting signatures for the November 2004 ballot...

◆ ***Preferential Voting. Terms of Office. Redistricting. Initiative Constitutional Amendment.*** Requires the CA Legislature to establish procedures enabling voters to select and rank candidates by preference in elections. In effect, this is an instant runoff system. This initiative also calls for new redistricting. The sponsor is Casey Peters (213)385-2786. She must collect 598,105 valid signatures by Mar. 4, 2004 to qualify for the November ballot...

● ***Elections. Primaries. Initiative Constitutional***

***Amendment & Statute.*** Requires primary election in which voters may vote for any state or federal candidate regardless of party registration. Exempts presidential nominations and election of party central committee members. Only the two primary election candidates with the most votes for an office, whether or not members of the same party, would be listed on the general election ballot. This is another **open primary** initiative. The sponsors are attorney George Kieffer, Susan Riegel and Nick Tobey. Contact phones are (415) 242-8830 or (925)283-0581. 598,105 signatures are required by Mar. 4, 2004...

◆ ***State Revenue and Expenditures. Initiative Statute.*** Requires that each State agency, at the end of each business day, post on its website: 1) relevant names, dates and amounts of every check, credit card or cash transaction, or other agency expenditure; and 2) revenue sources, including, but not limited to, taxes and fees, and the date, amount of revenue and fund into the revenue is put. Sponsor is Steve Mozena of Carson. He needs 373,816 signatures by Mar. 4, 2004 to qualify...

◆ ***Referendum on AB 205*** – As noted last week, State Sen. Pete Knight(R-Palmdale) and Assemblyman Ray Haynes(R-Murieta) have been given the OK to begin collecting 373,816 valid signatures to repeal AB 205 via referendum on the March 2004 ballot. AB 205 expands rights and responsibilities for domestic partners. Now EQ CA (Equality Calif.) has announced the formation of a campaign committee to fight the Knight-Haynes referendum and has contributed \$25,000 to the effort. Stay tuned...

#### **CAMPAIGN 2004: UPDATE ON LEGISLATIVE RACES.**

Editor's note: Here is **Part XXIII** in our continuing series of update about key U.S. House and CA Legislative primary races...

☒ ***63<sup>rd</sup> AD Update*** – The four person primary to replace Assemblyman Bob Dutton(R) is now down to just three, as Lyn Greene pulled the plug several weeks ago. Greene accepted a promotion at Riverside Community College and recognized the time commitment precluded a run at this time. So the primary will be between Elia Pirozzi, Bill Emerson and Mike Morrell. Greene had some great endorsements, including GOP Senate Leader Jim Brulte and BOE Member Bill Leonard(R). FYI: Pirozzi just picked up the endorsements of the Fontana POA, San Bernardino Co. Sup. Dennis Hansberger and Assemblyman Ray Haynes. He already had endorsements from the Upland POA, Upland Firefighters Assn. and the Rancho Cucamonga Firefighters Assn...



☒ **76<sup>th</sup> AD Update** – This open seat Demo primary battle is going to be a blood bath. Current 76<sup>th</sup> AD incumbent Christine Kehoe(D) is running for Dede Alpert's 39<sup>th</sup> SD seat. Both Kehoe and Alpert are backing Demo pollster Heidi von Szeliski. Also in the contest are former Davis staff director Vince Hall, who ran in the 78<sup>th</sup> AD last year and lost to Shirley Horton(R); and Lori Saldana, a teacher and former San Diego Sierra Club chair. One of the raps on von Szeliski is that her company, Decision Research, worked for Wal-Mart. The Wal-Mart stuff is very interesting because Decision Research even included the Wal-Mart logo on its webpage that described their work. Source say once von Szeliski became a candidate, that part of the webpage was removed. This has been noted not only by Saldana, but by Hall as well. There are copies of the old webpage which were downloaded and will undoubtedly be used in the primary. It might make a pretty good hit because Wal-Mart is not considered "labor friendly." As for Hall, he may have residual name ID, but there's also lots of residual anger too, because after spending \$1.7 million in the open 78<sup>th</sup> AD, he lost a Demo seat to GOPer Horton. This has been noted by both von Szeliski and Saldana. Especially POed at Hall: Kehoe. According to sources, before von Szeliski entered the 76<sup>th</sup> AD race, Kehoe and others tried to recruit San Diego Councilwoman Toni Atkins, but she said no...

**CALPEEK'S INFOBAHN: POLITICAL SHORT TAKES.**

Editor's note: Here are a few items, political & otherwise, worth noting...

■ **Schwarzenegger's Transition Team** – It has 65 members and is chaired by U.S. Rep. David Dreier(R-Covina). And as noted last week, Jim Richardson(Brulte's COS) will be the Staff Director. The Transition Office is at 831 "L" Street, Sacramento, CA 95814 (916)321-9300. Among the better known members of the team are former BOE member Dean Andal(R); L.A. businessman Eli Broad; S.F. Mayor Willie Brown; State Sen. Jim Brulte; Orange Co. Sheriff Mike Carona; Howard Jarvis Taxpayers Assn. president Jon Coupal; Assemblyman Dave Cox; USC law professor Susan Estrich; former CA Treasurer Matt Fong; Assemblywoman Bonnie Garcia; L.A. Mayor Jim Hahn; CTA's John Hein; former Assembly Speaker Bob Hertzberg; former CA SOS Bill Jones; attorney George Keiffer; Robin Kramer (Riordan's former COS); Assemblyman Abel Maldonado; Assemblyman Kevin McCarthy; former San Jose Mayor Tom McEnery; investment banker Gerald Parsky; Farm Bureau president Bill Pauli; former L.A. Mayor Richard Riordan; former U.S. Sec. of State George Shultz; Bill Simon Jr.; and former Gov. Pete Wilson...

■ **Election Legislation Signed by Davis** – Gov. Gray Davis(D) signed a number of bills dealing with elections. Among those: **AB 1544** by Joe Simitian(D-Palo Alto) which allows a school district, special district or a city of fewer than 100,000 to conduct a special election to fill a vacancy entirely by mail; **AB 277** by John Dutra(D-Fremont) is aimed at preventing *political cyber fraud*. Bans the use of domain names on political website with the intent to deceive...

■ **Referendum Politics** – As the deadline (12/7) to repeal **SB 60** (driver's licenses for non-citizens) begins to creep up, proponents of this referendum remain confident that they'll collect the necessary 550,000 signatures to put it on the March 2004 Calif. ballot. And these proponents have heard the same rumors that *Calpeek* has: Gov.-elect Schwarzenegger may be looking for a deal with SB 60 author, State Sen. Gil Cedillo(D-L.A.). Schwarzenegger's objection to the current form of SB 60 is that it doesn't contain any *security provisions*. As was noted during the recall, in 2002 Gov. Davis vetoed an earlier version of SB 60 which had backing from some law & order groups. Could this earlier version of SB 60 be revived in a compromise deal? Stay tuned...

**CALPEEK'S CALENDAR OF POLITICAL EVENTS**

|            |                                                                                                           |
|------------|-----------------------------------------------------------------------------------------------------------|
| Nov. 4     | S.F. Muni Election + other cities                                                                         |
| Nov. 6     | Pat Brown Inst.'s 11 <sup>th</sup> annual CA Policy Issues Conf., Wilshire Grand Hotel, L.A.              |
| Nov. 6     | Calif. Coalition on Workers' Comp(CCWC) 2003 Fall Legislative Conf., Hollywood, CA Info at (916)441-4111. |
| Nov. 7     | VICA's 15 <sup>th</sup> annual Business Forecast Conf., Warner Center Marriott Hotel.                     |
| Nov. 13    | SCAG Regional Economic forecast conf., Newport Beach.                                                     |
| Nov. 15-18 | IAPC – Prague, Czech Republic                                                                             |

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